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STATE FOR WHA/CAR, WHA/EPSC, USOAS

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TAGS: [OREP](#) [EPET](#) [SENV](#) [PREL](#) [PGOV](#) [PTER](#) [ASEC](#) [TD](#)

SUBJECT: SCENESETTER FOR ENERGY INFRASTRUCTURE PRE-ASSESSMENT VISIT

11. (U) This message is sensitive but unclassified - please protect accordingly.

12. (U) On behalf of Embassy Port of Spain, I look forward to welcoming your delegation to Trinidad and Tobago (T&T) October 10-12. The Ambassador unfortunately is out of the country but also wishes to express his warm welcome and wishes you success during your stay. Your visit will be an opportunity to reinforce U.S. engagement with T&T, building on good will generated when Prime Minister Patrick Manning and his CARICOM counterparts met with the President during the Conference on the Caribbean in Washington, June 19-21. This country is an important cog in America's energy security wheel, having supplied more than 70 percent of U.S. imports of liquefied natural gas (LNG) last year. T&T has been expanding its political and economic influence in the region and has one of the most dynamic and prosperous economies in the Caribbean. However, T&T is also coping with an upsurge of crime and the impact of narcotics trafficking that takes advantage of the country's easy access from the South American mainland. While T&T differs with the USG on a number of foreign policy matters, it is nevertheless an important U.S. ally and trading partner.

13. (U) Your visit will include meetings with Prime Minister Patrick Manning, Minister of National Security Martin Joseph, Minister of Energy and Energy Industries Lenny Saith, and Foreign Affairs Minister Arnold Piggot, as well as top executives of local and US energy companies. This welcome cable provides a brief overview of the country and a closer look at potential topics that will be covered in your meetings.

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POLITICAL SNAPSHOT  
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13. (U) Prime Minister Manning is campaigning to retain his party's Parliamentary majority when the citizens of Trinidad and Tobago vote on November 5. The ruling People's National Movement (PNM) and two opposition parties, the United National Congress (UNC) and the year-old Congress of the People (COP), are contesting 41 seats.

14. (U) Manning first served as Prime Minister from 1991 to 1995, when the PNM lost its parliamentary majority to the UNC under Basdeo Panday. An electoral deadlock in 2001 eventually led to the return of Patrick Manning and the PNM. Since then, the UNC has bargained hard on legislation requiring special majorities, paralyzing the legislative process on important matters.

15. (SBU) The PNM and UNC parties are heavily but not exclusively based on ethnicity, with the PNM supported largely by Afro-Trinidadians and the UNC by Indo-Trinidadians. In September

2006, a substantial number of Parliamentarians previously allied with the UNC split the Parliamentary opposition by defecting to form the COP, which aspires to cross ethnic lines. While the campaign has just begun, some analysts speculate this opposition split may bring the PNM not only victory at the polls but also the special majority (31 out of 41 seats) it needs to enact major reforms. Among these potential reforms would be amending the Constitution to institute an executive presidential system. Detractors charge that Manning hopes to become a "president-for-life," while the PM says these charges are electoral banter and ridiculous.

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ECONOMIC SNAPSHOT  
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16. (U) T&T has a vibrant industrialized economy, buoyed by relatively large natural gas reserves. It is our largest trading partner in the Caribbean and the leading beneficiary of our Caribbean Basin Initiative trade preferences. T&T is experiencing strong GDP growth, averaging 10.2% over the last five years, as a result of economic reforms, supplemented by tight monetary policy and high prices for oil and gas. While fiscal policy has generally been restrained, rising spending coupled with a tight labor market have contributed to rising inflation, which reached 10 percent year-on-year in October 2006 but has since moderated to 7.9 percent as of August 2007. T&T is considered a low-risk investment destination. The T&T dollar remains stable in value against the U.S. dollar, contributing to the country's attractiveness to foreign investment. Standard & Poor's raised its credit rating for T&T to A- in 2005 and confirmed that rating in 2006 and 2007. GOTT regularly courts foreign investors, with U.S. companies often taking the lead.

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A CLOSER LOOK AT ENERGY  
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17. (U) The oil industry in Trinidad dates back to the mid-19th century. After riding the oil boom and bust cycle of the 1970s and 1980s, Trinidad and Tobago has made a major transition over the last ten years to an economy driven largely by natural gas, both for export and for consumption in domestic industries, attracting major foreign-investment projects in liquefied natural gas (LNG), petrochemicals and steel. T&T also continues to play a role in regional energy security, supplying refined petroleum products to the rest of the Caribbean, although competition from Venezuela backed by concessionary financing has eroded its regional market share.

18. (U) USG interest in energy security centers on imports of LNG from Trinidad, which has supplied 70 percent of U.S. LNG imports over the past four years. This represents 10 percent of U.S. overall natural gas imports. Atlantic LNG, the country's sole producer, is a consortium of companies including BP (which absorbed Amoco several years ago), British Gas, Repsol, Suez (which bought out Cabot's interests in 2000), and the local National Gas Company (NGC). Atlantic LNG completed Train 4 in 2005, at which time it was the largest LNG production train ever built, expanding ALNG's production capacity from 10 million to 15 million tons per year. U.S. construction company Bechtel International was the primary contractor on the Train 4 project, and GE Oil & Gas has an ongoing service contract.

19. (U) While the GOTT is studying the feasibility of constructing a fifth LNG train to supply Caribbean and other regional markets, prospects depend on developing new gas reserves. 2006 and 2007 have seen few significant new discoveries and limited interest from international energy companies in bidding for rights to explore unassigned deep water blocks, fueling concern that new discoveries are not keeping pace with utilization. These concerns increased with the August release of Ryder Scott's audit of gas reserves showing the ratio of proven reserves to production at 12 years as of January 2007, down from previous estimates of 15-20 years. The GOTT is now considering more favorable contract terms for international companies to encourage new exploration.

110. (SBU) The best near-term prospect for raising production is from

large gas fields that cross T&T's maritime border with Venezuela. Talks between the two governments on joint development made significant progress in the last year, culminating in the signing of a framework unitization agreement on March 20, 2007, during a visit to Caracas by Prime Minister Manning. The agreement sets out the legal terms for ownership and development of the cross-border fields, but it does not specify on which side of the border the gas will be monetized, nor for what purpose. The largest of these fields is estimated at 10 trillion cubic feet (TCF), of which 2.7 TCF are assigned to T&T. Chevron has interests in this field on both sides of the border. Progress on reaching a final accord with Venezuela has stalled, though the gas audit results may spur the GOTT to renew negotiation efforts.

¶11. (U) The government also is focused on developing gas-based downstream industries, in order to diversify the energy and metals industries and facilitate the growth of manufacturing. Trinidad and Tobago is already the world's largest producer of ammonia and methanol, and new projects would add steel, aluminum, ethylene and polypropylene production. However, ALCOA's proposal to construct a 341,000 ton aluminum smelter met with unprecedented resistance from local environmental activists, culminating in the Prime Minister's late 2006 announcement that ALCOA's planned smelter has been put on hold pending agreement on a new site. Anti-smelter activists have since turned their attention toward Alutrint, a smaller proposed aluminum smelter with 60% Trinidad and 40% Venezuelan ownership, mounting a legal challenge to the Certificate of Environmental Clearance recently issued by T&T's Environmental Management Agency for Alutrint.

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LABOR AND RADE UNIONS  
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¶12. (U) Trade unions have at times been at odds with the GOTT's efforts to increase competitiveness. In one example, after years of thwarted negotiations with the airline workers' union, the GOTT took the drastic step of closing down the unprofitable national carrier last year and creating a new, downsized entity. It is still unclear if the new national carrier will be unionized. The Prime Minister has suggested in the recent months that the GOTT may try a similar tactic with the far more powerful Oil Workers Trade Union (OWTU) in an effort to create a new, unified national petroleum company to replace the state-owned Petrotrin.

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NARCOTICS TRAFFICKING  
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¶13. (SBU) The country's location just seven miles off the coast of Venezuela makes drug trafficking a major challenge. Narcotics from South America transit T&T's waters or move through the airports. Illegal drug use and trafficking are on the rise. The narcotics trade is likely linked to the persistently high number of murders and other violent crimes that plague the country. The government faces an uphill battle in trying to control these problems, exacerbated by inadequate border controls, corruption in the police service and a slow judiciary. T&T's vibrant petrochemical industry has the potential to provide diverted precursor chemicals for use in illegal drug production. The country's growing economy and well-developed banking, communications and transportation systems, facilitate a significant number of sizeable financial transactions that can obscure money laundering.

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CRIME  
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¶14. (SBU) Violent crime has been one area of particular concern over the last several years. T&T saw significant increases in murders and kidnappings from 2000 until 2006. In 2005 there were 384 murders, the highest number recorded in any one year, declining slightly to 369 in 2006. Kidnappings for ransom have decreased dramatically since January 2006. The GOTT has widely been viewed as unable to effectively address the serious crime problem, partially due to corrupt and inefficient police, inadequate disciplinary systems, a slow-motion court system and political intransigence. This, coupled with perceptions that some criminal organizations operate relatively freely, has led to a loss of confidence in the

GOTT's ability to solve the crime problem. To date, the crime situation has not affected foreign direct investment or tourism, though several local business families have fled the country.

#### ----- TERRORISM -----

¶15. (SBU) T&T has no significant indigenous terror groups, but some criminal Muslim organizations remain a concern. T&T has a considerable Muslim minority, comprising roughly eight to ten percent of the total population, though estimates vary widely. The majority of Muslims are represented by moderate Islamic organizations, but a few radical Islamic fundamentalist leaders have reportedly advocated for terrorist actions to be taken against the United States. The most famous of Trinidad's radical organizations is the Jamaat al-Muslimeen, a local Afro-Trinidadian group that launched a violent failed coup attempt in 1990. Over the last few years, however, several radical splinter groups have emerged. Anti-American sentiments are sometimes heard even from moderate Muslims, and several of the major mainstream groups helped to organize protests against U.S. actions in Iraq in early 2003. T&T is party to eleven of the twelve UN anti-terror conventions, and in September 2005 passed anti-terrorism legislation. Elsewhere, T&T has come into compliance with the International Ship and Port Facility Security Code (ISPS), and the T&T Central Bank cooperates with post in alerting financial institutions to potential sources of terrorist finance.

#### ----- REGIONAL INFLUENCE AND INTEGRATION -----

¶16. (SBU) PM Manning, bolstered by greater energy revenues and a strong economy, is seeking to expand T&T's role regionally and internationally. He is a strong backer of further CARICOM integration and seeks US support for deploying T&T ships to help patrol the Eastern Caribbean. A move toward regional integration took place in October 2006 in advance of the Cricket World Cup Tournament. In his capacity as chairman of CARICOM's Security Committee, PM Manning signed a Memorandum of Agreement in Port of Spain with visiting Secretary of Homeland Security Michael Chertoff, paving the way for an Advance Passenger Information System (APIS). APIS screened all travelers entering the region for the tournament. In the wake of the brutal 2005 hurricane season, T&T donated nearly TT 40 million (US \$6.67 million) in disaster relief to islands in the region. It also contributed troops, relief supplies and volunteer workers almost overnight to the stricken island of Grenada following Hurricane Ivan. Regional integration in the form of the Caribbean Single Market and Economy (CSME) is progressing but far from reality, however, as demonstrated by political backlash in Jamaica and Barbados over the success of T&T businesses in

penetrating those markets. Furthermore, Venezuela, through its Petrocaribe program, under which Caribbean countries can purchase oil under concessional terms, has now replaced T&T as the Caribbean's largest energy supplier and will continue to impact regional relations.

#### ----- POLICY DIFFERENCES -----

¶17. (SBU) T&T in many ways demonstrates a fierce independence; it has been immovable on several key recent U.S. foreign policy priorities. Because of former President Robinson's role as a "father" of the International Criminal Court (ICC), T&T was one of the first ICC signatories. It has not signed an Article 98 agreement with the U.S. and likely never will. T&T continues to desire and work towards good relations with Venezuela as they share a long maritime border and common energy concerns. It often defends Cuba, which it sees as a Caribbean brother. T&T, along with its neighbors, did not recognize Haiti's interim government in the absence of a CARICOM consensus. T&T did not support the U.S. intervention in Iraq, and its media have been openly critical on this issue. T&T's voting record at the U.N. also leaves much to be desired from a U.S. policy perspective. Most notably, T&T voted, together with its CARICOM partners, in favor of Venezuela's

candidacy for the vacant Latin American Caribbean seat on the UN Security Council.

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CONCLUSION  
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¶18. (U) T&T remains an important ally and trading partner with the U.S. and in the region. It has a well-established and functioning democracy and regularly cooperates with the U.S. on energy and security matters. We look forward to facilitating a successful visit to T&T for your delegation.

KUSNITZ